

## SERVICE CREDIT

One of the most important aspects within this Defined Benefit plan is service credit. Service Credit is used in the **formula**, as defined by law, to determine the monthly, lifetime benefit for all qualifying members:

$$\begin{array}{ccccccc} \text{Years of} & & \text{Final} & & \text{Formula} & & \text{Option} \\ \text{Creditable} & \text{X} & \text{Average} & \text{X} & \text{Factor} & \text{X} & \text{Factor} \\ \text{Service} & & \text{Compensation} & & \text{(currently 2\%)} & & \\ & & & & & & = \\ & & & & & & \text{Retirement} \\ & & & & & & \text{Benefit} \end{array}$$

Creditable service is defined in Neb. Rev. Stat. §79-902(5). The term means *actual service rendered* for a participating employer including holidays, sick days and vacation days (actually taken), and any other hours for which the member is paid as a part of the employment agreement. The term also includes prior service for which credit is granted under §§79-926 to 79-929, and service credit purchased by members under §§79-933.03 to 79-933.06 and 79-933.08.

Service credit does not include hours of **unused** sick or vacation leave or Worker's Compensation. Creditable service should *not* be granted for the unused time associated with a cash-out. If a member takes a refund of their contributions, their accumulated creditable service is cancelled. (If they later repay their refund amount, they can regain their creditable service.)

The Public Employees Retirement Board (PERB) has the power to *disallow* service credit for periods in which a member was paid less than minimum wage, or if the PERB determines service was rendered with the intent to defraud the retirement system.

Service credit is granted as follows:

### **SERVICE CREDIT AFTER JULY 1, 2002**

Working 1,000 hours or more in a plan year (July 1 – June 30) constitutes one year of service credit. Service credit is received for a fractional portion of the year worked (1/1000 of a year credit for each hour worked). Salaried employees who are part-time receive the same percentage of credit as their percentage of full-time equivalency. Members who are regular employees and are contributing to the Plan receive service credit for the number of hours worked (an average of 15 hours per week must be worked by an employee in order to become a member of the Plan). (See Chapter 2.) Hours of service are reported for each employee on the Wage & Contribution Report. (See Chapter 3.)

A member cannot earn more than one year of service credit in a plan year. The criterion is the same for an employee working on either a 9 or 12-month basis.

The Wage & Contribution Report must show the actual hours worked during the pay period. The following methods may be used to determine hours worked:

Hourly employees - actual hours worked in the pay period.  
Contract employees - establish hours per day (possibly 7 or 8 hours). Multiply this by number of working days in the pay period.

This is only a guideline. Actual hours worked should include any time spent in extracurricular activities for which an employee is paid.

## **OTHER RULES APPLIED PRIOR TO JULY 1, 2002**

- ***After July 1, 1986 and prior to July 1, 2002***, one year of creditable service was earned by working 1,032 or more hours during a plan year. For those working between 516 hours and 1,032 hours during a plan year, partial credit was given. No person working less than 516 hours during a plan year earned service credit.
- ***Prior to July 1, 1986***, one year of creditable service was earned on the basis of working full time for at least 120 days in a fiscal year. For those working part time, or less than 120 days, fractional years of service were also granted. All service **before** July 1, 1986, is based on the number of days worked in a fiscal year and the percent of time worked each day, regardless of whether the member was on a 9 or 12-month basis. This service may be verified on a Verification of Service Record form #NPERS2000. (See page 4-6.)

Legislation passed in February 12, 1986, allows fractional service credit on a basis of 50-100% for members employed on or after that date. Thus, service is credited for members who ceased employment before February 12, 1986, as follows:

Full time with 120 days or more = 1 year of service

Full time with 60-119 days = 1/2 year of service

Full time with less than 60 days = no credit

One-half time or more but not full time with 120 days or more = 1/2 year of service

One-half time or more but not full time with 119 days or less = no credit

## **OTHER COMMENTS REGARDING SERVICE CREDIT**

### **Prior Service**

Prior service credit was granted for service prior to July 1, 1945, if the employee was a member of the Plan before September 30, 1951, and met specific requirements.

### **Military Service**

For a member to be eligible for Military Service Credit, the following criteria must be met:

#### **Before 1984**

- Military service may be granted if an employee served or signed a contract to serve as a Nebraska public school employee before entering the military.
- Service in the military must have occurred during a declared emergency which would also include having been drafted under a federal mandatory draft law during a time of peace.

- A member may attain a maximum of four years of Military Service Credit or five years of military service credit if the fifth year is at the request and convenience of the federal government.
- The member must have returned to employment with a Nebraska Public School within three calendar years after an honorable discharge.
- Verification of a member's public school employment before entering into the military or a copy of the school contract and/or School Board minutes if the member signed a contract but did not actually work in a public school prior to entering the military is required by NPERS.
- A notarized copy of the member's DD214 Honorable Separation papers is also required by NPERS.

#### **After 1984**

- A member who is reemployed on or after December 12, 1994 shall be treated as not having incurred a break in service by reason of his/her period of military service. The military service will be credited for purposes of determining the nonforfeiture of the member's accrued benefits and the accrual of benefits under the Plan. The state will be liable for funding any obligation of the Plan to provide benefits based upon the period of military service.
- When a military leave begins, the employer and/or the member should notify NPERS in writing of the leave and the expected length of the leave.
- When the member returns to work, he/she may request military service credit by submitting an application to NPERS within one year from the date of reemployment.
- Verification of the beginning and ending dates of a member's military leave must be received by NPERS before the military service is granted.
- The deadline for completing the application for military service credit under federal law will apply. The deadline is three times the member's service in the military, not to exceed five years.

#### **Vesting Service Credit**

A member can receive vesting service credit. (See Chapter 2, page 2-4 for instructions.) The vesting service credit is used for determining if a member is vested and eligible for a benefit. It is not used in calculating a member's retirement benefit.

#### **Purchase of Service**

An individual may be eligible to purchase certain types of service and receive credit for it. (See Chapter 5, Purchasing Service.)

## VERIFICATION OF SERVICE

All service must be verified before receiving a retirement benefit, but a member who applies for a refund of his/her account does not need to have service verified.

**Service After 1985-1986:** Service earned after the 1985-1986 fiscal year has been verified on the Wage & Contribution Report. (See Chapter 3.) Any adjustments to service for prior quarters, months or pay periods must be made on an Adjustment Report included in Wage and Contribution reporting. (See page 3-66.)

**Service Verification for 1985-1986 or Earlier:** NPERS may request from the employer verification of service earned before July 1, 1986. Verification is made on the Verification of Service Record form #NPERS2000. The following rules apply in verifying this service.

- Each fiscal year (July 1 - June 30) should be verified on a separate line and each column completed.
- Instead of checking less than half time, please show the “exact percentage of time” the member has worked between 50% and 100%.

When completing a verification, if you find a situation you are not sure how to verify, please contact NPERS.

### EXAMPLES OF VERIFICATION OF SERVICE

Sample Verifications of Service Record #NPERS2000 are included on pages 4-6 and 4-7. The explanations correspond to the lettered examples on the sample verification. To save space in this manual, more than one individual is on the sample verification form. ***A separate form should be completed for each person when actually verifying service.***

- A. The custodian was hired to work full time on a 12-month basis. Since he worked 220 days during the 1956-57 fiscal year, he would receive 1 year of service credit.
- B. The teacher was hired to teach full time on a 9-month basis, but ceased employment January 25, 1958. Since she worked 72 days full time, she would receive 1/2 year of service if she ceased employment prior to February 12, 1986, or she would receive 60% service credit if she ceased employment on or after February 12, 1986. ( $72 / 120 = .60$ )
- C. The cook was hired on a 9-month basis at one-half time. Since she worked 185 days, she would receive 1/2 year of service credit if she ceased employment prior to February 12, 1986, or she would receive 77% service credit if she ceased employment on or after February 12, 1986. ( $185 \times .50 = 92.50$ ,  $92.50 / 120 = .77$ )
- D. The teacher was hired to work full time on a 9-month basis. She worked through October 26 at which time she went on an unpaid leave of absence. On January 2, she returned to employment and worked full time the rest of the school year. Since she worked a total of 120 days full time during the fiscal year, she would receive 1 year of service credit for the 1959-60 fiscal year.

- E. The bus driver was hired for the 1960-61 fiscal year. Since his employment is verified as less than one-half time, no service credit would be allowed.
- F. The employee was hired as a substitute for the 1961-62 fiscal year. However, on September 26, 1961, he became a full time teacher and began contributing to the Plan. Since he worked 170 days full time during the fiscal year, he would receive 1 year of service credit.
- G. The employee was hired as a full time teacher on a 9-month basis and worked 180 days regularly from the 1962-63 fiscal year through the 1965-66 fiscal year. Since the employment is the same for each of these fiscal years, it may be verified on one line on the form. During the 1966-67 fiscal year, the employee was hired as a teacher on a 9-month basis at one-half but less than full time. The service for this fiscal year must be verified on a separate line since there was a change in the employment status. The employee ceased employment May 30, 1967. In January of the 1967-68 fiscal year, he returned to employment as a full time teacher for five months. Service credit for this employment would be allowed as follows:

1962-63 through 1965-66	4 years service credit
1966-67	75%* or 1/2 year service credit ( $180 \times .50 = 90$ , $90 / 120 = .75$ )
1967-68	83%* or 1/2 year service credit ( $100 / 120 = .83$ )

- H. This employee was hired as a teacher on a 9-month basis and worked 180 days every year. During 1967-68, she worked 67% time for 180 days. During 1968-69, she worked 50% time for 180 days. During 1969-70, she worked full time for the 180 days. Service credit for her employment would be allowed as follows:

1967-68	100%* or 1/2 year service credit ( $180 \times .67 = 120.60$ , $120.60 / 120 = 1.01$ )
1968-69	75%* or 1/2 year service credit ( $180 \times .50 = 90$ , $90 / 120 = .75$ )
1969-70	1 year service credit

\*Service credit would be based on the percentage rather than one-half year if the member continued to work and was employed on or after February 12, 1986.

# SAMPLE FORM

## Verification of Service

### Examples A-E

SCHOOL RETIREMENT SYSTEM OF THE STATE OF NEBRASKA

#### VERIFICATION OF SERVICE RECORD

Retirement No. \_\_\_\_\_

This is to certify that the school record of \_\_\_\_\_, Nebraska, shows the following periods of school services for (name) \_\_\_\_\_, Social Security Number \_\_\_\_\_ - -

#### EMPLOYMENT IN NEBRASKA PUBLIC SCHOOLS:

Date \_\_\_\_\_

From			To			Position	Months of which service contracted	Actual No. of days employed	Status of Employment (Must choose one)			School	Annual Salary
Month	Day	Year	Month	Day	Year				full time	Exact % of time employed each day	Less than half time		
7	1	56	6	30	57	CUSTODIAN	12	220	X			(SCHOOL NAME & DIST. #)	
8	27	57	1	25	58	TEACHER	9	72	X				
8	28	58	5	29	59	COOK	9	185		50%			
8	25	59	10	26	59	TEACHER	9	20	X				
10	27	59	12	31	59	UNPAID LEAVE OF ABSENCE	9	60					
1	2	60	5	24	61	BUS DRIVER	9	180			X		

**This form must be signed by one of the following:**  
City Superintendent, Administrator, Personnel Director,  
Authorized Reporting Agent, County Clerk or County Official

(A true statement, made under penalty of perjury)

NAME \_\_\_\_\_  
TITLE \_\_\_\_\_  
ADDRESS \_\_\_\_\_

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# SAMPLE FORM

## Verification of Service

### Examples F-H

SCHOOL RETIREMENT SYSTEM OF THE STATE OF NEBRASKA

#### VERIFICATION OF SERVICE RECORD

Retirement No. \_\_\_\_\_

This is to certify that the school record of \_\_\_\_\_, Nebraska, shows the following periods of school services for (name) \_\_\_\_\_, Social Security Number \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

#### EMPLOYMENT IN NEBRASKA PUBLIC SCHOOLS:

Date \_\_\_\_\_

From			To			Position	Months of which service contracted	Actual No. of days employed	Status of Employment (Must choose one)			School	Annual Salary
Month	Day	Year	Month	Day	Year				full time	Exact % of time employed each day	Less than half time		
8	31	61	9	25	61	SUBSTITUTE	1	7			X		
9	26	61	5	26	62	TEACHER	8	170	X				
8	31	62	5	30	66	TEACHER	9 ea. yr.	180 ea.yr.	X				
8	31	66	5	30	67	TEACHER	9	180		50%			
1	4	68	5	30	68	TEACHER	5	100	X				
8	21	67	5	31	68	TEACHER	9	180		67%			
8	27	68	5	27	69	TEACHER	9	180		50%			
8	26	69	6	1	70	TEACHER	9	180	X				

**This form must be signed by one of the following:**  
**City Superintendent, Administrator, Personnel Director,**  
**Authorized Reporting Agent, County Clerk or County Official**

(A true statement, made under penalty of perjury)

NAME \_\_\_\_\_

TITLE \_\_\_\_\_

ADDRESS \_\_\_\_\_

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